

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

International Settlements Policy Reform
International Settlement Rates

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)
)
) IB Docket No. 02-324

) IB Docket No. 96-261
)

REPLY COMMENTS OF PCCW LIMITED

PCCW Limited ("PCCW") submits these reply comments in response to the comments filed by other respondents to the *Notice of Proposed Rule Making ("NPRM")* in the above-captioned proceedings. PCCW previously submitted opening comments in these proceedings. PCCW focuses here on the issue of excessive mobile termination rates, as this issue has not been comprehensively analyzed in prior FCC proceedings.

High mobile termination rates are a growing global problem. Such rates are inconsistent with the global trends towards cost-based international termination rates. The increasing proportion of international traffic terminating on foreign mobile networks exacerbates the adverse effects of these excessive mobile termination rates. No single payment regime, such as Calling Party Pays or Both Party Pays, is the sole cause of the problem. While the adoption of a retail payment regime is dependent upon the structure and liberalization progress of the specific market, the problem of high mobile termination rates remains, and it should be addressed by both policy makers and carriers.

The level of retail prices of international calls terminating on foreign mobile networks is determined not only by the price of the terminating mobile charge, but also by the costs of the originating carrier, including margins. Accepting that there are different retail pricing and cost recovery regimes, PCCW would suggest that the key objective of this FCC proceeding should be to focus on solving the problem of high mobile termination rates while devising the most effective means to rationalize the rates for international traffic terminating on mobile networks to eliminate non-cost based rate distortions.

As PCCW stated in its comments, mobile termination rates in excess of the relevant benchmark appear to be inconsistent with the applicable FCC policies. However, PCCW believes that U.S. carriers taking action against off-shore international carriers may not provide the best remedy and would not be the optimal means to reduce high mobile termination rates.

First, any U.S. unilateral action can only affect the foreign international carriers who initially receive the traffic. However, the U.S. international carriers generally do not exchange traffic directly with the terminating foreign mobile carriers. In many markets the foreign international carriers receiving the traffic neither control nor are affiliated with the mobile terminating carriers. At best, taking action against the international carriers receiving the traffic would be a very indirect method of producing lower termination rates.

Second, any unilateral action where the mobile and terminating international carriers in the foreign country are not related would financially penalize the foreign carrier receiving the traffic and provide a disincentive for handling any U.S.-originating traffic destined for foreign mobile networks. Therefore, unilateral FCC action would only work to the detriment of the consumers in both originating and terminating countries, resulting in deteriorating call

quality, service disruption, and reduced call through-put rates. In addition, there would be adverse consequences for further investment in foreign mobile telecommunications sectors.

PCCW would recommend that the FCC undertake to work cooperatively with foreign governments and regulators with a view to reforming mobile termination rates to more accurately reflect costs. Some recent progress has been made in this area although much more remains to be done and such coordination between governments should not be seen as accepting inaction or slow progress on this matter. Foreign governments and regulators are in the best position to adopt effective and remedial actions deemed necessary.

Respectfully submitted,

PCCW LIMITED

By: _____/s/_____

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CERTIFICATE OF SERVICE

I hereby certify that copies of PCCW Limited's Reply Comments were served this

19th day of February, 2003, by mail, postage prepaid, upon the following:

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